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ARIZONA CORPORATION COMMISSION

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Richard L. Sallquist
Sallquist & Drummond, P.C.
4500 S. Lakeshore Drive
Suite 339
Tempe, Arizona 85282

Arizona Corporation Commission
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MAY 23 2007

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RE: H2O, Inc. Compliance with Decision No. 64062
Docket No. W-02234A-00-0371, WS-02987A-99-0583, WS-02987A-00-0618,
W-02859A-00-0774, W-01395A-00-0784

Dear Mr. Sallquist,

On October 4, 2001, in Decision No. 64062, H2O, Inc. ("H2O") received approval to extend its Certificate of Convenience and Necessity ("CC&N") into several named parcels and sections. Since then, H2O has requested and received two extensions of time to comply with the requirements of Decision No. 64062.

On August 8, 2006, H2O responded by letter to a communication from the Compliance Section of the Arizona Corporation Commission regarding non-compliance with Decision No. 64062. Within the letter you addressed only a portion of the outstanding compliance issues. You also requested a time extension to comply with the Decision especially concerning Parcels 14, 16, 17, 18 and Section 13.

On September 1, 2006, in an effort to determine if there was still a need or request for service in the areas approved in Decision No. 64062, Staff sent H2O a letter requesting "signed statements from the developers in each parcel and Section 13 which describes the progress each developer has made toward acquiring the necessary permits, certificates, etc., the physical progress made toward development and when the first customer in each development is expected to be served." Staff requested the information be provided by October 1, 2006.

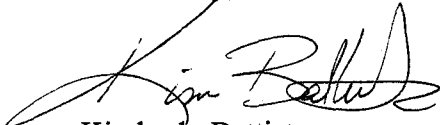
On February 22, 2007, H2O met with Staff regarding the status of development in the parcels and sections for which H2O received approval to extend its Certificate of Convenience and Necessity in Decision No. 64062, dated October 4, 2001. The meeting concluded with assurances from H2O that a written summary of the status of development in each approved area would be shortly forthcoming. Soon thereafter an email was sent by the Compliance Section to H2O urging the production of the requested information. Staff has not received responses to either its September 1, 2006 letter, the commitment made by H2O at the meeting or to Staff's email.

Mr. Richard Sallquist

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Staff is currently preparing its response to H2O's request for a time extension to comply with Decision No. 64062. To complete its review and prepare its recommendation, Staff needs the information requested above by no later than June 8, 2007. Unless H2O provides information from the developers who requested service in each parcel and section indicating that significant progress has been made toward development, Staff will recommend the time extension be denied.

Yours truly,

A handwritten signature in cursive script, appearing to read "Kim Battista", written in dark ink.

Kimberly Battista
Chief of Compliance